

## Message Text

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51

ACTION ARA-20

INFO OCT-01 AF-10 EUR-25 ISO-00 EB-11 COME-00 AGR-20 AID-20

L-03 OMB-01 SS-15 NSC-10 SPC-03 CIAE-00 INR-10

NSAE-00 RSC-01 EA-11 STR-08 TRSE-00 XMB-07 CIEP-02

SSO-00 NSCE-00 INRE-00 IGA-02 PRS-01 DRC-01 /182 W

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O R 191831Z SEP 73

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC IMMEDIATE 5718

INFO AMEMBASSY BUENOS AIRES

AMEMBASSY PRETORIA

AMEMBASSY SOFIA

C O N F I D E N T I A L SANTIAGO 4394

E.O. 11652: GDS

TAGS: EAGR, CI

SUBJECT: CHILE'S WHEAT SITUATION

REF: A) SANTIAGO 4262; B) SANTIAGO 4306

1. CHILEAN CONTINUE TO APPROACH EMBASSY CONCERNING WHEAT SUPPLY PROBLEMS. LATEST WAS RICARDO CLARO, ONE OF CHILE'S MOST OUTSTANDING LAWYERS, WHO HAS VOLUNTEERED HIS SERVICES TO NEW GOVERNMENT TO WORK ON COVERING SHORT-TERM WHEAT IMPORT REQUIREMENTS. CLARO SAID CHILE HAD BEEN COUNTING ON 30,000 MT AUSTRALIAN WHEAT PURCHASED WITH SOVIET CREDIT PLUS 50,000 MT BULGARIAN WHEAT FOR NOVEMBER DELIVERY TO COVER ABOUT 20 DAYS OF CONSUMPTION DURING NEXT TWO MONTHS. GOC HAS INFORMATION THAT 13,033 MT AUSTRALIAN WHEAT ON SS OSTROGZSK DEPARTED AUSTRALIA ABOUT SEPTEMBER 14. ADDITIONAL 7000-17,000 MT WERE SCHEDULED TO HAVE BEEN SHIPPED ON SS OLA SEPTEMBER 18. CLARO DOUBTS THESE SHIPS WILL ACTUALLY DELIVER GRAIN TO CHILEAN PORTS. HE ALSO EXPECTS BULGARIANS WILL CANCEL CONTRACT.

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2. CLARO BELIEVES THAT CHILE MUST FIND 80,000 MT FOR IMMEDIATE DELIVERY TO REPLACE ABOVE. HE HAS TALKED WITH LOCAL CONTINENTAL GRANISN REP (JOHN O'SHEA) WHO SAYS CONTINENTAL HAS THIS GRAIN AVAILABLE. HOWEVER, ACCORDING TO CLARO, CENTRAL BANK DOES NOT HAVE APPROXIMATELY \$15 MILLION TO PAY FOR 80,000 MT. HE ASKED EMBASSY FOR USG CREDITS.

3. CLARO WAS TOLD THAT PL 480 SALES AND CCC CREDITS HAD LARGELY BEEN SUSPENDED DURING CURRENT WORLD-WIDE FOOD SHORTAGE. WE ADVISED HIM, HOWEVER, THAT WE WOULD PASS ON CHILEAN REQUEST TO WASHINGTON FOR CONSIDERATION IN LIGHT OF CHILE'S PRESENT DIFFICULT SITUATION.

4. COMMENT: I APPRECIATE DIFFICULT POLICY QUESTIONS INVOLVED IN SELLING WHEAT FOR CREDIT. KNOWLEDGEABLE CHILEANS BELIEVE THAT THEY MUST GET ADDITIONAL WHEAT FAST AND ON CREDIT (GIVEN LACK OF CASH AND CONFUSED CONDITIONS IN CENTRAL BANK). THEY ARE CONVINCED THAT FAILURE TO GET 80,000 MT IMMEDIATELY WILL MEAN COUNTRY MAY BE TOTALLY WITHOUT BREAD FOR 15-20 DAY PERIOD IN OCTOBER OR NOVEMBER. ON BOTH POLITICAL AND HUMANITARIAN LEVEL IT IS EASY TO UNDERSTAND WHY THEY PUT SUCH HIGH PRIORITY ON THIS MATTER. I BELIEVE THERE IS NOTHING AT THIS TIME WHICH WOULD SHOW THE NEW GOVERNMENT AS MEANINGFULLY OUR DESIRE TO BE HELPFUL AS BEING FORTHCOMING IN THIS MATTER. CHILEANS ARE THINKING IN TERMS OF U.S. CREDITS TO COVER APPROXIMATELY 300,000 MT PRESENTLY CONTRACTED WITH U.S. SUPPLIERS PLUS 80,000 MT ADDITIONAL THEY NOW FEEL THEY NEED.

5. CONSIDERING URGENCY OF THIS MATTER, I RECOMMEND IMMEDIATE REPLY AT LEAST ON 80,000. THIS WILL NOT, HOWEVER, MUCH DIMISH URGENCY OF CREDITS FOR 300,000 MT.

6. PLEASE ADVISE.  
DAVIS

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